

**MINUTES
REGULAR MEETING
RETIREMENT BOARD OF TRUSTEES
EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF BATON ROUGE
AND PARISH OF EAST BATON ROUGE
NOVEMBER 15, 2018**

The regular meeting of the Retirement Board of Trustees was held in the boardroom of the Retirement Office at 209 St. Ferdinand Street, and was called to order at 10:02 a.m. by Board Chairman Ms. Marsha Hanlon. Members present: Chief Richard Sullivan, Mr. Mark LeBlanc, Sgt. Neal Noel, Mr. Joseph Toups (arrived at 10:09 a.m.), Mr. David West, and Mr. Brian Bernard (arrived at 10:12 a.m.). Staff present: Mr. Jeffrey Yates, Mr. Russell Smith, Mr. Mark Williams, and Mr. Kyle Drago. Others present: Ms. Rebecca Wisbar – legal counsel.

Mr. Kyle Drago formally called the roll.

There was a call for public comments prior to introduction of the first agenda item. There were no public comments.

The chairman began by introducing Item 1, Reading and Approval of Minutes, and noted that there were minutes being considered for approval from the regular meeting of October 25, 2018, and called for a motion.

Motion by Mr. LeBlanc, seconded by Chief Sullivan to suspend the reading of, and approve the minutes of the regular meeting of October 25, 2018 as presented.

No discussion and no objections.

Motion passed by those members present with the exception of Ms. Hanlon who abstained.

Under Item 2, Disability, there were no applications for disability retirement.

The next item on the agenda was Item 3, Benefits Report, and the chairman called on Mr. Yates to present the report. Mr. Yates stated that there were no unusual items on the report and that the report was in order as presented.

Motion by Chief Sullivan, seconded by Mr. LeBlanc to approve the Benefits Report as presented.

No discussion and no objections.

Motion passed by those members present.

The next item on the agenda was Item 4, DROP Notifications Report, and it was noted that this report was provided for informational purposes only, and no action was necessary.

The chairman then moved to Item 5, Consultant Reports, and under 5A, Status on Pending Legal Matters called on Ms. Wisbar who stated that she was recommending that the Board interpret definitions for severance payments and separation benefits, in light of a member issue for which the employer was calling a lump sum payment severance pay. In the member's case, the severance pay was not based on a number of hours multiplied times the member's hourly rate of pay, but was being termed severance pay by the employer. This gave rise to the question of whether or not this severance pay should be subject to supplemental funding of DROP, whether mandatory or optional. Ms. Wisbar noted in the legal update that the Board should approve the recommended definition for severance pay in order to prevent actuarially unexpected lump sums of money, and interest expense on that money, which in turn could have a negative impact on the system's funding level. Because the retirement ordinances refer to severance pay and separation benefits in conjunction with unused accumulated vacation time and sick leave, and limits the amount of accruals to the City-Parish limits, the recommended definitions would comport with the ordinance language and be consistent with past severance pay calculations and limits. Ms. Wisbar then read the recommended definitions of severance pay and separation benefits as the member's accrued leave balances at time of retirement or DROP entry, multiplied times the member's current rate of pay, all stated in hours. In answer to a question from Ms. Hanlon, Ms. Wisbar stated that the Board had the authority to interpret and define the ordinances, and that she was recommending the adoption of these definitions, which would not constitute a change in the ordinances. It was noted that CPERS annually checks the leave accrual policies for all the outside agencies not under the requirements of the City-Parish rules for accumulated sick leave and vacation.

Motion by Mr. LeBlanc, seconded by Mr. West to adopt the definitions and interpretation for severance payments and separation benefits as recommended and presented by legal counsel.

No discussion and no objections.

Motion passed by those members present.

Under Item 6, Committee Reports, there was an Investment Committee report under Item 6B. Mr. LeBlanc reported that on November 13, 2018, the Investment Committee received the 3rd quarter performance report, and that it was the first report presented by AndCo in conjunction with Summit Strategies Group. He noted that the quarterly performance was 2.23 percent, which fell short of the policy index of 2.5 percent. The year-to-date performance was 2.67 percent which beat the policy index by 48 basis points. Mr. LeBlanc stated that the 4th quarter was looking bleak thus far, both in the domestic markets and the international markets. AndCo stressed that the stock market was in the process of finding its “new normal”, and that the energy market was further complicating the downturn. Mr. LeBlanc noted that AndCo, if selected as permanent investment consultant, would possibly recommend that CPERS hire a manager over the private equity assets and investments, rather than CPERS hiring a variety of fund of funds for the allocation. The term for this arrangement is a “fund of one”. AndCo also stated that there was a current fixed income manager they would like to closely review for possible recommendations in the future. Mr. West noted that the fund of one strategy would also have the effect of saving on fees. Mr. LeBlanc stated that he had been interviewed by phone by Cortex Applied Research regarding the investment consultant search, and that the interviewer had worked in the public employee retirement system realm. Mr. West stated that he had been interviewed as well.

Moving to Item 7, Staff Reports, the chairman noted that under Item 7B, there were charges from the Law Offices of Klausner & Kaufman, LLC, and Mr. Yates noted that this invoice should have been presented last month but was not. He stated that the charges were related to the St. George issue.

Motion by Mr. LeBlanc, seconded by Mr. Bernard to approve payment for the charges to the Law Offices of Klausner & Kaufman, LLC as presented.

No discussion and no objections.

Motion passed by those members present.

Under Item 7C there were invoices from the Law Offices of Akers & Wisbar, LLC, which Mr. Smith verified as being in order as presented.

Motion by Mr. LeBlanc, seconded by Ms. Hanlon to approve payment for the charges to the Law Offices of Akers & Wisbar, LLC as presented.

No discussion and no objections.

Motion passed by those members present.

Under Item 7D there were invoices from the Law Offices of Tarcza & Associates, LLC, which Mr. Yates noted were for general review of the system’s ordinances, some work on the St. George issue as requested by Bob Klausner, and work on getting taxes refunded for an Irish private equity investment through Top Tier. He stated that the charges were in order as presented.

Motion by Mr. Toups, seconded by Chief Sullivan to approve payment for the charges to the Law Offices of Tarcza & Associates, LLC as presented.

No discussion and no objections.

Motion passed by those members present.

Under Item 7E, there was also an invoice from the actuarial firm of Foster & Foster Actuarial related to an Option 3 benefit calculation, which Mr. Yates stated was in order as presented, but that he would like to speak to Shelley Johnson regarding the rate charged for these types of calculations.

Motion by Mr. LeBlanc, seconded by Chief Sullivan to approve payment for the charges to Foster & Foster Actuarial as presented.

No discussion and no objections.

Motion passed by those members present.

Under Item 7F, there were a number of investment manager invoices for the Board’s review and verified by Mr. Smith to be in accordance with the manager contracts.

Under Item 7G, Cash Activity Report, Mr. Drago presented the report and noted that October was a typical month for cash flow.

The next item on the agenda was Item 8, Unfinished Business, and although there were no items on the agenda, Mr. Bernard inquired about whether or not the tax tables had been adjusted to reflect the tax reduction given earlier in the year. Mr. Yates stated that going forward, the system’s tax rates would be adjusted as the tax tables changed, but that no changes had been made retroactively.

Moving to Item 9, New Business, the chairman noted that there was one item under 9A, Consideration of Request by Retiree Relative to the Supplemental Benefit Payment (SBP) Rules, and stated that the retiree’s request was included in a letter to the Board. Mr. Yates stated that the prior policy prohibited anyone currently receiving an excess benefit payment from eligibility for the SBP, but that was

revised last year to prohibit receipt of the SBP by anyone who had ever received payments from the Excess Benefit Plan. He then explained the origin of the Excess Benefit Plan. He noted that the member making the request was complaining that the rules were changed in the year he would have become eligible for the SBP. Mr. Yates also noted that there were other retirees receiving a larger benefit than this retiree, who were receiving SBP payments.

Motion by Mr. LeBlanc, seconded by Ms. Hanlon to leave the SBP policy as previously approved.

No discussion and no objections.

Motion passed by those members present.

Under Item 10, Administrative Matters, the chairman noted that at the last Metro Council meeting there was discussion of a pay increase for police employees. Because the system still has a number of police members whose benefits have not been set, the funding of the Police Guarantee Trust must be taken into account when considering pay increases. She stated that the funding issue goes beyond contributions or increases to contribution rates, and that she was not qualified to compute all the costs to the system. There was a brief discussion regarding the possibility of the remaining 170 or so active PGT police members waiving their benefits to attain the pay increase. It was noted that this would include the two years of additional DROP guaranteed by CPERS, and that every member had a separate bi-lateral contractual agreement with the City-Parish. Mr. LeBlanc stated that as fiduciaries, the Board should have input in the discussion of pay increases. Discussion continued regarding having the actuary determine all the costs associated with a police pay increase, with Mr. Bernard asking if a factor could be determined that could be multiplied times the pay increase to determine total costs. Mr. Yates stated that overtime would still be a wildcard that would generate unanticipated costs unless controlled by the department. It was agreed that Foster & Foster should be involved on behalf of the Board to determine the cost to the PGT of a police pay increase.

The chairman then continued to Item 11, Police Guarantee Trust Matters, and under 11A, PGT Benefits Report, Mr. Yates stated that there were no items on the report for approval this month.

Under Item 11B, the chairman noted that the PGT DROP Notifications Report was provided for the Board's information, and that no action was required.

There were a no matters under Item 11C, Consultants' Reports.

There were a number of investment manager invoices under Item 11D.1 for the Board's review and verified by Mr. Smith to be in accordance with the contracts.

Under Item 11D.2 there were no items to address.

Under Item 11D.3, PGT Cash Activity Report, Mr. Drago presented the report and stated that it was in order.

Under Items 11E New Business, and 11F Unfinished Business, and 11G, there were no items to address.

Seeing no further items on the agenda, the chairman called for a motion to adjourn.

Motion by Mr. Bernard, seconded by Mr. West to adjourn at 10:42 a.m.

No discussion and no objections.

Motion passed by those members present.

MARSHA HANLON
CHAIRMAN, RETIREMENT BOARD OF TRUSTEES

JEFFREY R. YATES
RETIREMENT ADMINISTRATOR